

1 UNITED STATES DISTRICT COURT
2 DISTRICT OF PUERTO RICO
3
4 In Re:) Docket No. 3:17-BK-3283 (LTS)
5)
6) PROMESA Title III
7 The Financial Oversight and)
8 Management Board for)
9 Puerto Rico,) (Jointly Administered)
10)
11 *as representative of*)
12)
13 The Commonwealth of)
14 Puerto Rico, *et al.*) October 25, 2021
15)
16 Debtors,)
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12 In Re:) Docket No. 3:17-BK-3566 (LTS)
13)
14) PROMESA Title III
15 The Financial Oversight and)
16 Management Board for)
17 Puerto Rico,) (Jointly Administered)
18)
19 *as representative of*)
20)
21 The Employees Retirement)
22 System of the Government)
23 of the Commonwealth of)
24 Puerto Rico,)
25 Debtors,)

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3 In Re:) Docket No. 3:19-BK-5523 (LTS)
4)
5) PROMESA Title III
6 The Financial Oversight and)
Management Board for)
7 Puerto Rico,) (Jointly Administered)
8)
9 *as representative of*)
10)
11 The Puerto Rico Public)
Buildings Authority,)
12)
13 Debtors,)
14)

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12 URGENT STATUS CONFERENCE

13 BEFORE THE HONORABLE U.S. DISTRICT JUDGE LAURA TAYLOR SWAIN

14 UNITED STATES DISTRICT COURT JUDGE

15 AND THE HONORABLE U.S. MAGISTRATE JUDGE JUDITH GAIL DEIN

16 UNITED STATES DISTRICT COURT JUDGE
17

18 APPEARANCES:

19 ALL PARTIES APPEARING TELEPHONICALLY

20 For The Commonwealth
21 of Puerto Rico, *et al.*: Mr. Martin J. Bienenstock, PHV
Mr. Brian S. Rosen, PHV
22 Mr. Michael Firestein, PHV

23 For Puerto Rico Fiscal
24 Agency and Financial
Advisory Authority and
25 the Governor of
Puerto Rico: Mr. John Rapisardi, PHV

1 APPEARANCES, Continued:
2
3 For The Official
4 Committee of Retired
5 Employees: Mr. Robert Gordon, PHV
6
7 For the Hon. Jose
8 Luis Dalmau Santiago: Mr. Luis Vega Ramos, Esq.
9 Mr. Edwin Quinones, Esq.
10
11 For the Hon. Rafael
12 Hernandez Montanez: Mr. Jorge Martinez Luciano, Esq.
13 Mr. Emil Rodriguez Escudero, Esq.
14
15 For the Lawful
16 Constitutional Debt
17 Coalition: Mr. Susheel Kirpalani, Esq.
18
19 For the DRA Parties
20 and AmeriNational
21 Community Services: Mr. Arturo J. Garcia Sola, Esq.
22
23 For the Ad Hoc Group
24 of Constitutional
25 Debtholders: Mr. Gary S. Lee, PHV

15 Also present:

16 Honorable Bankruptcy Judge Barbara Houser, Mediation
17 Team Leader

18 Governor Pedro Pierluisi Urrutia, Governor of Puerto Rico

19 Honorable Jose Dalmau Santiago, President of the Senate
20 of Puerto Rico

21 Honorable Rafael Hernandez Montanez, Speaker of the House
22 of Representatives of Puerto Rico

23 Ms. Natalie Jaresko, Executive Director of the Oversight
24 Board

25 Mr. David Skeel, Chairman of the Oversight Board

25 Proceedings recorded by stenography. Transcript produced by
CAT.

1	I N D E X	
2	WITNESSES:	PAGE
3	None.	
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5	EXHIBITS:	
6	None.	
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1 San Juan, Puerto Rico

2 October 25, 2021

3 At or about 9:00 AM

4 * * *

5 THE COURT: Good morning. This is Judge Laura Taylor
6 Swain.

7 MS. NG: Good morning, Judge. This is Lisa Ng, your
8 courtroom deputy.

9 THE COURT: Thank you, Ms. Ng.

10 Ms. Tacoronte, would you please call the case?

11 COURTROOM DEPUTY: Good morning, Your Honor.

12 The United States District Court for the District of
13 Puerto Rico is now in session. The Honorable Laura Taylor
14 Swain presiding. Also present, Magistrate Judge Judith Dein.
15 God save the United States of America and this Honorable
16 Court.

17 Bankruptcy Case No. 2017-3283, *In re: The Financial*
18 *Oversight and Management Board for Puerto Rico, as*
19 *representative of the Commonwealth of Puerto Rico, et al., for*
20 *Status Conference.*

21 THE COURT: Thank you, Ms. Tacoronte.

22 Buenos dias, everyone. Welcome Counsel,
23 distinguished leaders of the elected Government and the
24 Oversight Board, parties in interest, and members of the
25 public and press.

1 To ensure the orderly operation of today's telephonic
2 conference, all parties on the line must mute their phones
3 when they are not speaking. If you are accessing these
4 proceedings on a computer, please be sure to select "mute" on
5 both the Court Solutions dashboard and your phone. When you
6 need to speak, you must unmute on both the dashboard and the
7 phone.

8 I remind everyone that consistent with court and
9 judicial conference policies and the orders that have been
10 issued, no recording or retransmission of the conference is
11 permitted by anyone, including but not limited to the parties,
12 members of the public, or the press. Violations of this rule
13 may be punished with sanctions.

14 I will be calling on each speaker during the
15 conference. Given the unusual nature of today's conference,
16 and the fact that not all participants are commonly before the
17 Court, it is especially important that all participants
18 clearly identify themselves for the record to ensure the
19 accuracy of the record. So when I call on each speaker,
20 please identify yourself by name, and give either your title,
21 if you are an official, or the party you represent if you are
22 counsel.

23 Once I have completed calling on every party in
24 interest that I expect to hear from, I may permit other
25 parties in interest to address briefly any issues raised

1 during the course of the presentations that require further
2 remarks. If you wish to be heard under these circumstances,
3 please state your name clearly at the appropriate time. Do
4 not use the wave feature on the Court Solutions dashboard,
5 because I will not be able to see that. I will call on the
6 speakers one by one if more than one person wishes to be
7 heard.

8 Please don't interrupt each other or me during the
9 hearing. If we interrupt each other, it's difficult to create
10 an accurate transcript of the conference. If anyone has any
11 difficulty hearing me or another participant, however, please
12 say something right away. If there is a need to take a break,
13 I will direct everyone to disconnect and dial back in at a
14 specified time.

15 As to time, I have allocated 90 minutes in total for
16 this conference, so when you are called upon to speak, please
17 be as clear, to the point, and brief as possible, and I will
18 interrupt if I need to.

19 I convened today's conference on an urgent basis,
20 because at the end of last week, the Oversight Board stated
21 its intention to seek adjournment of the scheduled
22 confirmation hearing on the Seventh Amended Proposed Plan of
23 Adjustment if necessary legislation to which it had agreed was
24 not approved by the Senate by Friday, and the Senate reported
25 that it had deferred indefinitely any action on that

1 | legislation. Over the weekend, according to informative
2 | motions filed in the past few hours, legislative leaders have
3 | come up with further proposals.

4 | At this moment, four and a half years of hard work by
5 | the Oversight Board, the leaders and agencies of Puerto Rico's
6 | Government and official committees, and despite devastating
7 | hurricanes and earthquakes, we have a confirmation hearing
8 | scheduled that is designed to let this Court consider whether
9 | a significantly consensual Plan of Adjustment can be
10 | confirmed. While I cannot and I will not prejudge the
11 | confirmability of the Plan that has been proposed, which is
12 | subject to outstanding objections, it appears to me from the
13 | press and from party submissions that the version of the Plan
14 | to which the Oversight Board has agreed, and that the House --
15 | and for which the House has passed legislation, puts Puerto
16 | Rico in the closest position that it has been in years to
17 | being able to restructure its debt, reducing that debt very
18 | substantially, providing for payment over an extended period
19 | of time, and conditioning significant parts of the repayment
20 | obligations on outperformance of the current projections for
21 | Puerto Rico's economy.

22 | This proposal required extraordinary work over
23 | several years from the unique mediation team of judges to
24 | assist a multitude of parties in reaching the compromises that
25 | are incorporated into the current Plan proposal. The Plan as

1 proposed by the Oversight Board requires Commonwealth
2 legislation.

3 In the current circumstances, as I understand them
4 this morning, I will not get an opportunity to evaluate
5 whether that proposed Plan meets legal requirements unless the
6 conference legislation is passed. The House has passed the
7 conference legislation, the Senate has not, and according to
8 the informative motions, Senate and House members are
9 proposing a new version with additional conditions.

10 I remind everybody that the confirmation hearing is
11 scheduled to commence on November 8th, 2021, at 9:30 in the
12 morning, Atlantic Standard Time. The Oversight Board filed an
13 informative motion at the end of last week stating that it
14 wants to suspend the confirmation schedule, including the
15 three weeks that I have set aside and protected on my court
16 calendar for the confirmation hearing. I'm not ready to do
17 that at this point.

18 Hundreds of millions of dollars of Puerto Rico's
19 money, and probably tens of millions of hours of the time of
20 the Court, the mediation team, and the parties have been
21 invested in getting to this point, where the lack of a
22 sufficient number of members supporting the conference version
23 in one house of the legislature appears to be the principal
24 obstacle to bringing the proposed Plan of Adjustment before
25 this Court for consideration as to whether it can be

1 confirmed. Now there is another proposal that may require
2 further negotiations and delay.

3 I will be frank with you. My patience is wearing
4 thin. I'm not convinced that further delays are in the
5 interest of Puerto Rico. Puerto Rico is at the risk of losing
6 an opportunity to cut its debt under the protection of Title
7 III and build a road forward. None of us has another four or
8 five years for a do-over, and least of all the people of
9 Puerto Rico.

10 If there are no prospects for prompt consideration of
11 the Plan with a viable mechanism for implementation in the
12 near term, the Court may be forced to consider whether the
13 Title III PROMESA proceedings for the Commonwealth, ERS, and
14 the PBA, and the proposed Title VI proceedings -- well, the
15 Title VI proceedings that have been filed for PRIFA and CCDA
16 should be dismissed. If that were to happen, the Oversight
17 Board would not go away, but the protection of the automatic
18 stay would be lost. Creditors could commence proceedings in
19 countless courts, in chaotic efforts to collect the monies
20 that have not been paid, and the Commonwealth would be facing
21 hundreds of millions more in lawyers' fees and other expenses.
22 It is hard for the Court to see how that situation could
23 benefit Puerto Rico's citizens and retirees, moving the
24 Commonwealth to a better economic position in the near future.

25 Before I begin calling on the Oversight Board and the

1 | elected government representatives for status reports and
2 | information as to whether there are any viable alternative
3 | courses of action to the currently proposed Plan and
4 | conference version of the House Bill, I would like to take a
5 | moment to verify that the principals whom I've invited to
6 | participate in this conference are, in fact, with us.

7 | Is Chairman Skeel of the Oversight Board present?
8 | Would you please unmute and respond? You have to unmute on
9 | both your phone and the Court Solutions dashboard.

10 | (No response.)

11 | THE COURT: Is Executive Director Jaresko of the
12 | Oversight Board present?

13 | MS. JARESKO: Yes. This is Natalie Jaresko, and I am
14 | present, Judge.

15 | THE COURT: Good morning.

16 | MR. SKEEL: I'm David Skeel. I'm present as well.
17 | Sorry. I was having trouble unmuting.

18 | THE COURT: Thank you both. The unmuting can be
19 | difficult. Thank you for confirming that you are here.

20 | Is the Honorable Governor Pierluisi present?

21 | GOVERNOR PIERLUISI URRUTIA: Good morning, Your
22 | Honor. I am present. This is Pedro Pierluisi.

23 | THE COURT: Good morning, Governor. Thank you for
24 | being present.

25 | Is the Honorable Senate President Dalmau Santiago

1 present?

2 You have to unmute both your telephone and the Court
3 Solutions dashboard if you're using the computer interface.

4 (No response.)

5 THE COURT: Is the Honorable Speaker of the House
6 Hernandez Montanez present?

7 HON. HERNANDEZ MONTANEZ: Good morning, Your Honor.
8 Speaker of the House of Representatives Rafael Hernandez
9 Montanez is present.

10 The COURT: Good morning. Thank you, sir.

11 Senate President Dalmau Santiago, are you present?

12 (No response.)

13 THE COURT: At this point, I can't tell whether there
14 is trouble with the telephone or if he is not yet present.

15 Ms. Ng, can you tell from the appearance dashboard
16 that you have?

17 MS. NG: Judge, what was the name again? Martinez --

18 THE COURT: No. Dalmau Santiago. That's the last
19 name. So the first is D-a-l-m-a-u, and the last is Santiago.

20 MS. NG: Give me a second.

21 I don't see anybody on with the last name of
22 Santiago. Judge, I don't see anybody with the last name of
23 Santiago.

24 THE COURT: Thank you.

25 I believe that his Informative Motion indicated that

1 he might be present with his attorneys. Are counsel for the
2 Senate President on the line?

3 If someone representing the Senate President is on
4 the line, would you please unmute yourself and identify
5 yourself?

6 If you will be patient with me --

7 MS. NG: Judge.

8 THE COURT: -- the firm of -- yes? Yes, Ms. Ng?

9 MS. NG: I don't see anybody raising their hand or
10 trying to unmute themselves at all.

11 THE COURT: All right. The law firm of Quinones
12 Arbona & Candelario was indicated as the representative of the
13 President of the Senate.

14 MS. NG: Judge.

15 THE COURT: Is anyone from that --

16 MS. NG: Judge, they're just getting on now.

17 THE COURT: Pardon?

18 MS. NG: They're just getting on now.

19 THE COURT: All right. Just getting on now. Okay.

20 So who has just come on, Ms. Ng?

21 MS. NG: Quinones.

22 THE COURT: All right.

23 MS. NG: Let me see if I can -- I unmuted them.

24 Maybe now --

25 THE COURT: Mr. Edwin Quinones, are you on the line?

1 MR. QUINONES: Yes, we are, Your Honor. And the
2 President of the Senate, Jose Dalmau, is with us here at the
3 office.

4 THE COURT: Okay. Good morning, gentlemen. I have
5 just made remarks, and I was verifying that the invited
6 officials were actually on the line. Of course I've been
7 hopeful that our timing would be such that my remarks would
8 have been heard as well.

9 MR. QUINONES: Your Honor, may I interject? We did
10 hear your comments. We got disconnected when the President of
11 the Senate was to introduce himself. So we were able to hear
12 your remarks, Your Honor.

13 THE COURT: Oh, thank you very much for confirming
14 that. Was that Mr. Quinones speaking --

15 MR. QUINONES: That is correct.

16 THE COURT: -- just now?

17 All right. Thank you very much.

18 So now I am going to begin by calling on the
19 representative of the Oversight Board. Who will be speaking
20 as counsel for the Oversight Board?

21 MR. BIENENSTOCK: Your Honor, this is Martin
22 Bienenstock. I am joined by several colleagues, but at least
23 initially I'll be speaking for the Oversight Board.

24 THE COURT: Thank you. Good morning,
25 Mr. Bienenstock. So my first question for you is where do

1 | things stand from the Oversight Board's point of view, and
2 | what are you seeking?

3 | MR. BIENENSTOCK: Okay. Thank you, Judge. And I
4 | can't say strongly enough how much the Oversight Board
5 | appreciates and endorses the comments Your Honor made at the
6 | outset, because we see things -- the Board sees things the
7 | same way. While everyone wishes the currently proposed Plan
8 | could be better, we do believe it is the best possible, and
9 | any alternative is going to be worse for several reasons I
10 | won't belabor the record with now given Your Honor's earlier
11 | comments.

12 | To answer Your Honor's question, I'll start with what
13 | I think is the good news in the sense that the issues are very
14 | narrow, and I just want to specify what we believe they are
15 | and certainly what the Board has determined are essentials to
16 | go forward with the currently proposed Plan of Adjustment.
17 | And some of this I've explained and discussed in court,
18 | especially in connection with the Disclosure Statement
19 | Hearing, so Your Honor will probably find that you've heard
20 | this, some of it before.

21 | In connection with the pensions, which have been paid
22 | in full for the last four to five years while other creditors,
23 | many other creditors have not received a penny, the Oversight
24 | Board did come to an understanding, first with the Retiree
25 | Committee, and then its deal has actually been improved for

1 retirees through discussions with others, that if this
2 legislation is passed authorizing the new debt under the Plan,
3 which actually reduces debt by 70 to 80 percent, there would
4 be no further monthly benefit reduction. And there hasn't
5 been a monthly benefit reduction. So there will be none.

6 On the other hand, in the Enabling Acts and
7 subsequent legislation for TRS, the teachers, JRS, the judges,
8 there are accruals of further benefits. We have referred to
9 eliminating those accruals as the freeze.

10 As I explained at the Disclosure Statement Hearing,
11 not freezing them imposes on the Commonwealth billions and
12 billions of dollars of future debt, which the Oversight Board
13 does not believe can be afforded and is sustainable, and was
14 one of the primary reasons that financial distress occurred in
15 the first place. Now, if in the future things are better, you
16 know, that's another story, and future governments and boards
17 can deal with it. But for now, the Oversight Board is firm
18 that there must be a freeze in order to go forward with a
19 feasible plan. And, additionally, in some instances, there
20 are cost-of-living adjustments in the statutes which have to
21 be terminated.

22 Under Puerto Rico law, it's been our understanding
23 that those are all -- even though they're in statutes, they
24 are, according to the Puerto Rico courts, contractual
25 obligations, and we have dealt with them accordingly in our

1 Plan.

2 Now, there are two batches of issues, very brief,
3 that pertain to what I just discussed. In terms of the
4 legislation, we need legislation that not only does not try to
5 eliminate the freeze, but is not ambiguous. And we are not
6 sure, given how things are moving in real time, and everything
7 needs to be translated in real time, et cetera, we are not
8 sure whether there are still efforts afoot to eliminate the
9 freeze or simply to take out language in the legislation that
10 the House passed that makes crystal clear that the freeze is
11 in place. And by taking it out, it creates the ambiguity
12 going forward of, well, it was taken out because maybe the
13 freeze will not be in place.

14 So the Oversight Board absolutely requires what the
15 House passed, which was language that makes crystal clear that
16 while there will be no monthly benefit reduction, the freeze
17 and the elimination of the cost-of-living adjustments will be
18 in place and is not subject to ambiguity.

19 Now, I mentioned there are two batches of issues.
20 I've just covered the first. The second issue, which is not
21 an impediment to going forward with the Plan, is that some
22 parties have objected to the freeze as a matter of law, and
23 they've objected in the confirmation objections. The Board is
24 not saying that it would not go forward unless those
25 objections are withdrawn. They are legal objections, and the

1 Board totally understands that it will have to give the Court
2 good reason to overrule them at confirmation. So that is not
3 an issue. And people who want to challenge the freeze as a
4 matter of law, who have, you know, timely filed their
5 confirmation objections can obviously do so. We are not
6 taking issue with that.

7 So, to our knowledge, that is the big issue. Now, as
8 Your Honor mentioned earlier, the Board had asked for, or said
9 that it would be asking for an adjournment of the confirmation
10 hearing and the deadlines to go along with it. And one of the
11 primary reasons for that, until we know if we're going to have
12 the legislation we need, is that if we don't get the
13 legislation by November 8, or possibly an earlier time, there
14 are termination fees that will accrue in favor of some of the
15 PSA parties, the Plan Support Agreement parties.

16 We'd rather not, obviously, saddle the Commonwealth
17 with those fees if they can be avoided. And the only other
18 way we could protect the Board in the process is to withdraw
19 the Plan, which would trigger the fees. So that's why we
20 wanted to ask for an adjournment.

21 We also wanted to ask for an adjournment because our
22 read of the statements that were reported from the various
23 legislative leaders made it appear that it was -- in their
24 words, it was over, and, therefore, we wanted to immediately
25 shift to consulting with the parties who had agreed to the

1 Plan to see if we could all agree on an alternate not
2 requiring legislation. And we did not want to waste any time
3 in doing that.

4 But that's -- and I just want to also add one or two
5 items. We appreciate that everyone who is participating is
6 participating because, in their view, they are acting in the
7 best interests of their constituencies and the people who, in
8 many cases, are their constituencies, and the Board respects
9 that.

10 The Board, as Your Honor and all the parties know,
11 has its statutory mission of fiscal responsibility and market
12 access, and has weighed everything, and has certainly given
13 primary importance to the retirees and their dignified
14 retirements. And that is why they have been paid without
15 reduction from the beginning, while the bondholders, as a for
16 instance, have not received one penny in the last four to five
17 years. And we put together a plan to maintain no monthly
18 benefit reduction for the retirees, while everyone else is
19 suffering major reduction.

20 So, regrettably, we cannot satisfy everyone, but we
21 under -- but we truly believe that this is the best we'll be
22 able to offer for the retirees, because if we have to go back
23 and do it again, and compensate creditors for not having
24 legislation and for the further delay, et cetera, then the
25 money has to come from somewhere, and somehow or other the

1 Commonwealth is going to have that much less resources to
2 build its economy, et cetera.

3 So we are really at the point where we think the best
4 is on the table, and not going forward gives the Commonwealth
5 something less than what there is now, even though the people
6 currently standing in the way -- and we respect what they're
7 saying and their motives, that they want to do better, but we
8 don't think there is a better. There's only a worse if we
9 don't go forward with the current Plan.

10 I just want to also mention that, as Your Honor knows
11 from the roll call, the Board's executive director, Natalie
12 Jaresko, has a live line and can respond, and is prepared to,
13 to any questions the Court has, as is the Board's chairman,
14 Professor David Skeel, and several board members. Dr. Betty
15 Rosa, Antonio Medina, Andrew Biggs, possibly Justin Peterson
16 are on the listen-only lines, and Arthur Gonzalez, as soon as
17 he finishes his class, also plans to join. This is of primary
18 importance obviously to the Oversight Board.

19 So the bottom line, Your Honor, getting back to the
20 Court's question, is we need unambiguous legislation, we need
21 what the House passed that does not even create an ambiguity
22 as to the freeze or the COLAs; and absent that, we reaffirm
23 our request to the Court to consider an adjournment so that --
24 of at least the deadlines for filing things, so that we don't
25 have to withdraw the Plan and trigger the termination fees I

1 mentioned.

2 And obviously I want to answer any Court -- questions
3 the Court has, but that was all that I had, Your Honor.

4 THE COURT: Thank you.

5 I'd like you to explain further the relationship
6 between the requested adjournment or stay of deadlines and the
7 November 8th date in the PSA. So one question is: How does
8 an adjournment of the confirmation hearing affect the trigger
9 point for the fees; and the second question is, is there a
10 point that is related to confirmation of the agreed Plan at
11 which the Plan goes away with the agreed benefit reductions
12 and everything else, and the fees are also incurred, but
13 that's a different point in time?

14 MR. BIENENSTOCK: Sure, Your Honor. If it's okay, I
15 happen to be sharing this phone with my partner, Brian Rosen,
16 and if it's okay, he'll respond to both those questions.

17 THE COURT: Thank you.

18 MR. ROSEN: Your Honor, this is Brian Rosen. I'm not
19 clicking on the dashboard, because Mr. Bienenstock is already
20 in.

21 Your Honor, pursuant to the GO-PBA Plan Support
22 Agreement, there are several opportunities for termination of
23 the Plan Support Agreement. One of them is in the event that
24 the legislation that is required and acceptable to the Board
25 is not enacted prior to the commencement of the confirmation

1 hearing. So, as Mr. Bienenstock said, if it were not done
2 prior to the commencement on November 8th, that would give
3 rise to a termination right, and thus the fees.

4 Another opportunity, Your Honor, would be if the Plan
5 of Adjustment effective date does not occur by December 15th.
6 However, the Oversight Board has the opportunity to extend
7 that date unilaterally to January 31st of 2022.

8 There is one other opportunity for termination by the
9 PSA creditors, and that would be arguably, Your Honor, if
10 there were a breach of the covenant in the Plan Support
11 Agreement itself, and one could argue, one could assert that
12 the withdrawal of a plan of adjustment that is currently on
13 file and consistent with the Plan Support Agreement were to be
14 withdrawn.

15 So that's why we believe it's in everyone's interest
16 that there be an adjournment of the commencement of the
17 confirmation hearing, so that none of those opportunities are
18 triggered, and all we are left with at that point, Your Honor,
19 is the back end date of January 31st, 2022.

20 THE COURT: Thank you.

21 MR. ROSEN: You're welcome.

22 THE COURT: Is the Board -- if I were to ask Judge
23 Houser and the mediation team to have conversations with key
24 parties in an effort to avoid derailing the scheduled
25 confirmation proceedings, would the Oversight Board

1 participate in those conversations in good faith?

2 MR. BIENENSTOCK: Your Honor, this is Martin
3 Bienenstock. The answer is of course, but I want to add one
4 thing. The Oversight Board does not have additional
5 consideration to put on the table, but subject to that, I
6 mean, if we're talking about wordsmithing, et cetera, or
7 things that the Oversight Board can do, I mean, it wants to do
8 anything it can to be able to ask Your Honor to confirm the
9 Plan. Of course it will participate in good faith.

10 THE COURT: Thank you. Do you see any possibility of
11 confirming a plan without legislation and in the near future?

12 MR. BIENENSTOCK: Your Honor, could you repeat the
13 question? I'm not sure I caught every word.

14 THE COURT: If legislation is not passed, do you see
15 any prospect for being able to bring a plan forward for
16 successful confirmation in the near future for these entities?

17 MR. BIENENSTOCK: Your Honor, the answer is yes,
18 probably, and I say that because we have a firm belief, that I
19 believe parties are familiar with, that -- we know for a fact
20 that the only reason the legislative requirement is in the
21 Plan is creditors asked for it. We would have liked to have
22 had it, but it's not critical.

23 Now, we know government parties take different
24 positions, and that would be litigated in confirmation, but we
25 do think there are alternative plans that will not require

1 | legislation. Obviously, because of the number of parties, and
2 | Your Honor is familiar with the massive litigation that's been
3 | stayed, you know, with the monolines, with the General
4 | Obligation bondholders, and others in connection with this, it
5 | will require considerable time speaking to all these parties.

6 | So when Your Honor says "in the near term," it would
7 | sort of be in the near term, but given that we all know we are
8 | running up against Thanksgiving, Christmas, New Year's, we're
9 | probably talking about the following year.

10 | And I would also say, if I might double back for just
11 | a second, while as I said, you know, the Board will
12 | participate in whatever mediation in good faith, but we would
13 | obviously ask the Court to adjourn the deadlines, starting
14 | with today's, for filing declarations and things of that sort
15 | pending any type of mediation or whatever process the Court
16 | might direct at the end of this hearing.

17 | THE COURT: Well, if I were to do that, it seems to
18 | me that would make impossible the schedule for confirmation in
19 | the time frame that has been set aside, and believe me, I had
20 | to put a lot of other court events with respect to other
21 | matters in spaces around the place that I have preserved for
22 | this. So, you know, I am pushing to keep focus on the time
23 | that is available, and to continue preparations so that we can
24 | be ready at that time if everything else can be brought
25 | together for that timetable.

1 So that is why, as of now, the Court is not only not
2 inclined to move the hearing date itself, but also not
3 inclined to change the deadlines in the run-up to the
4 confirmation hearing, with the possible exception of the
5 government's objection filing, which is the subject of an
6 application by AAFAF. So I wanted to make that clear, that I
7 have concerns about both keeping the confirmation hearing date
8 and being able to be ready for it, which are, of course,
9 related.

10 MR. BIENENSTOCK: Your Honor, this is Martin
11 Bienenstock. If I may just provide one comment in respect of
12 that.

13 It might be possible to speak in terms of a very
14 short time for mediation, and -- in terms of a number of days,
15 and, also, if the hearing, the confirmation hearing doesn't
16 start on November 8 -- and I'm not saying it shouldn't or it
17 couldn't if we have a very short adjournment to accomplish
18 whatever might be accomplished to get the legislation over the
19 finish line -- probably if the confirmation hearing were to
20 start a few days or even a week later, we believe we could
21 probably put on the full case in the time Your Honor allotted.
22 I can't absolutely promise, but I think there's a large
23 likelihood that we could do that, if that's helpful.

24 THE COURT: Thank you. That is interesting to hear.

25 So I do not have specific questions at this point for

1 Professor Skeel or Executive Director Jaresko, but if either
2 of them would like to make a comment before I call on the
3 Governor and his representatives, this would be the
4 opportunity.

5 Professor Skeel, or Executive Director Jaresko, if
6 you would like to speak, please unmute and state your name.

7 MR. SKEEL: This is David Skeel. I don't think I
8 need to speak. I suspect that our executive director, Natalie
9 Jaresko, will want to say at least a few words.

10 MS. JARESKO: Thank you, Professor Skeel.

11 THE COURT: Thank you.

12 MS. JARESKO: Thank you, Judge Swain. This is
13 Natalie Jaresko, the executive director of the Oversight
14 Board.

15 THE COURT: Good morning.

16 MS. JARESKO: I appreciate the opportunity to speak
17 this morning, and I appreciate your advice this morning. I
18 think what is critical for the Board at this time is that we
19 have had weeks and weeks of discussions, negotiations in good
20 faith to achieve adequate legislation that would enable us to
21 effect the confirmation hearing, and eventually the Plan.

22 Unfortunately, at this point further discussions seem
23 to yield no improvements in those discussions, and we have
24 very little time left, as you yourself have noted. So with
25 all due respect, one of the things the Board has sought in

1 terms of the adjournment is time to develop alternatives while
2 keeping the Plan alive, and even if mediation is one of those
3 alternatives in the short term, the time that that mediation
4 will take and the potential yield of success, from our
5 perspective, is uncertain at best. And so we continue to ask
6 you to at least delay the deadlines for today, such that
7 whatever your -- whatever the decision is in terms of next
8 steps, we have the ability to pursue them without the pressure
9 of the costs and time and investment into the steps today that
10 are required on the calendar.

11 We would like to pursue this Plan, and we would like
12 to find a way to do so. And we have done everything that the
13 elected leadership of the island has asked in the course of
14 these discussions, specifically because we understood how
15 important getting this done and getting it done on the basis
16 of this Plan that's in the court is for Puerto Rico. And so
17 we ask your consideration in that respect.

18 Thank you.

19 THE COURT: Thank you, Ms. Jaresko.

20 I will now turn to Governor Pierluisi and his
21 representatives. Who will speak?

22 MR. RAPISARDI: Yes. Good morning, Your Honor. It's
23 John Rapisardi of O'Melveny & Myers, and I am here on behalf
24 of the Governor and AAFAF. And if I may, I'd like to make
25 some comments, Your Honor.

1 THE COURT: Good morning, Mr. Rapisardi. Please go
2 ahead.

3 MR. RAPISARDI: Your Honor, I'd like to thank you for
4 the opportunity to address the Court on this most important
5 issue with respect to moving the Plan process forward, and I
6 couldn't agree more with the words of wisdom that you've
7 expressed at the outset of this hearing this morning.

8 As you noted, Your Honor, we filed an informative
9 motion last night summarizing the recent events and concerning
10 the status of House Bill 1003. I'm not going to repeat
11 chapter and verse what we set forth in that motion other than
12 to say that the entire government, the executive branch and
13 the legislative branch, take this process extremely seriously,
14 and understand that time is of the essence, and that we all
15 are working tirelessly and in good faith to get the
16 legislation required by the Plan of Adjustment across the line
17 as quickly as possible, and to preserve the confirmation
18 hearing date of November 8th. Your Honor, we don't want to
19 see that date moved.

20 Now, Your Honor, I'm pleased to report -- and you saw
21 the Informative Motion that was filed by the Speaker this
22 morning -- that the government parties have reached agreement
23 on various amendments to be included in the legislation. I'm
24 not going to go through those amendments chapter and verse,
25 because I haven't had a chance to study them and how they've

1 | been generally described by the Speaker. And they need to be
2 | translated.

3 | If these amendments, though, Your Honor, as I
4 | understand, are incorporated into the House Bill, the
5 | government is confident the majority of votes in the House of
6 | Representatives and the Senate will vote to approve the
7 | measure as ultimately adopted. This, Your Honor, will
8 | represent an unique historic moment for Puerto Rico, as what
9 | could be the most important piece of legislation in Puerto
10 | Rico's constitutional history.

11 | In light of the likely amendments, it is critical to
12 | underscore that the proposed fees of the defined benefit plans
13 | for Puerto Rico's teachers and judges remain outside the
14 | purview of the House Bill. The House Bill does not and will
15 | not implement or block the fees in any way. Instead, the
16 | House and the Oversight Board is seeking -- as Mr. Bienenstock
17 | alluded to, is seeking to implement the defined benefit freeze
18 | under the terms of the Plan. Now, whether it can do so
19 | legally will be an issue decided by this Court in the face of
20 | objections filed by the Union.

21 | Now, I would caution Your Honor with respect to
22 | Mr. Bienenstock's remarks about absolute certainty with
23 | respect to the ultimate passage of legislation. Your Honor,
24 | it is very clear from what we've been saying that this bill
25 | deals with pension cuts, that the bill is conditioned on no

1 pension cuts, period. End of story.

2 The more we delve into what that constitutes, what it
3 could possibly mean, and there's a potential end run around
4 that Bill authorizing legislation, Your Honor, that's where we
5 get in trouble. And I would submit, Your Honor, that
6 ultimately what is before this Court, and this Court is --
7 first of all, Your Honor, this government and the Governor is
8 not going to advocate a bill that, you know, ten minutes
9 later, after a confirmation order is signed, that it's going
10 to try to undermine that legislation. Absolutely not. Nor,
11 Your Honor, will I expect that when you see the legislation of
12 the Bill, you will be -- have to decide for yourself that that
13 Bill is enforceable, and you will have to make findings of
14 fact.

15 And, Your Honor, I submit that within those findings
16 of fact, we can get the Board comfortable that there will be
17 no end run around the legislation that is ultimately passed by
18 both houses and signed into law. I just caution Your Honor
19 that when we get into this debate about absolute certainty,
20 that's going to get us in trouble, and I'd like to avoid that.
21 I'd like to think that we are all working tirelessly together
22 in good faith to push this along.

23 Your Honor, now is the time to end the Commonwealth's
24 Title III case without additional delay. The legislative
25 process, Your Honor, must be duly respected, and all parties

1 | should briefly pause until that process concludes before
2 | making any abrupt decisions that will scuttle the important
3 | progress made to date. And what I mean, briefly pause, I'm
4 | urging the Board not to withdraw the Plan, not to adjourn the
5 | confirmation hearing date of November 8th, but allow the
6 | legislature -- which yesterday leaders came together, which I
7 | will say in an unprecedented way, to forge a consensus.

8 | Although the Board has repeatedly advised the
9 | legislature that it is not going to accept any change or
10 | modification to the Bill, as initially accepted by the Bill --
11 | I urge the Board to allow the legislature to express its will
12 | within very short order. And let's keep this November 8th
13 | hearing in place, and let's avoid drawing lines in the sand
14 | and demanding absolute certainties.

15 | Once the final legislation is enacted and presented
16 | to the Oversight Board, the Board can then determine how to
17 | proceed. It holds the ball here, Your Honor. It's the only
18 | party that can propose the Plan of Adjustment, and, therefore,
19 | it is in its absolute discretion.

20 | But as alluded to by Mr. Bienenstock, we have made so
21 | much progress. Your Honor, in the face of the battles we have
22 | had with the Board in court before you, every step of the way
23 | we have tirelessly -- at the urging and beckoning of the
24 | government, we have tirelessly worked together to move this
25 | Plan of Adjustment forward. And if we had not done so, Your

1 Honor, we would not be at -- everyone is using the football
2 analogy -- on the one yard line. And we are on the one yard
3 line, and we just can't fumble the ball, Your Honor.

4 In the meantime, Your Honor, we implore all sides to
5 continue the process of what has gotten us to the threshold of
6 confirmation, which is collaboration and cooperation. Please,
7 Your Honor, and the Board, I implore the Board, allow the
8 legislature, with deep dispatch, to express its will at this
9 most crucial juncture, keeping in mind that we have to get the
10 confirmation hearing going on November 8th, and there should
11 be no delay of that hearing.

12 Thank you, Your Honor.

13 THE COURT: Thank you. Mr. Rapisardi, are you
14 suggesting that if there is to be additional engagement with
15 mediation, that that should not precede or go in tandem with
16 the legislative action given what the Board has said about
17 issues with respect to the legislation insofar as the Board
18 understands it right now?

19 MR. RAPISARDI: Your Honor, can you just repeat that
20 again? I'm not sure I understand the question.

21 THE COURT: I was afraid you might ask me to repeat
22 it.

23 So the Board said that there are certain provisions
24 as to which it would want certainty that the legislation isn't
25 going to try to change, and that is the benefit freeze. But

1 then there may also be issues of language, and as you
2 indicated yourself, Mr. Rapisardi, there may be concerns about
3 deliberate ambiguities or possible end runs or whatever.

4 You have asked me to let the legislative process go
5 forward, and, as I hear you, you seem to be essentially
6 saying, well, let's see what the legislature passes and then
7 have the Oversight Board react.

8 MR. RAPISARDI: Yes.

9 THE COURT: I am asking you whether it would be
10 beneficial to, or whether you would oppose engagement of the
11 mediation team with the parties, including legislative
12 representatives, in the crafting of this Bill, so that -- so
13 as to seek to avoid a situation in which a bill is formalized
14 and passed that includes language to which the Oversight Board
15 will not agree.

16 MR. RAPISARDI: Right. I understand, Your Honor.

17 I think we are at the point now where I would
18 recommend -- and I know it's like saying no, but we are at the
19 point where the legislature has met, is very close, has agreed
20 on the terms and the elements. That can happen within 24
21 hours, all right, Your Honor. And at that point, then the
22 Board can take a look at this legislation, and, if need be, if
23 the Board has issues with it, then I would say of course we
24 would invite mediation to help resolve any issues the Board
25 has. But I would rather let the legislature finish what it

1 has been charged to do.

2 My concern is that if we introduce the element of
3 mediation as of right now, it's just going to further delay
4 the process and confuse the process. We're so close with
5 respect to proposing that legislation to the Board, and we
6 want to have more side bar, calls and conversations with the
7 Board and with Proskauer to get them comfortable with the
8 legislation.

9 THE COURT: Thank you.

10 Does the Governor or any other representative of
11 AAFAF wish to speak further before I call on President Dalmau?

12 GOVERNOR PIERLUISI URRUTIA: Your Honor, this is
13 Pedro Pierluisi, the Governor of Puerto Rico. I'll be very
14 brief.

15 I basically support every word that Mr. Rapisardi
16 just uttered. I will just add the following. The legislative
17 process should be respected. The democratic process should be
18 respected. You are talking about two -- basically two parties
19 in Puerto Rico coalescing and coming up with bipartisan
20 legislation. Take my word, that's not easy. That, in and of
21 itself, shows the importance that Puerto Rico's political
22 leadership is giving to this matter.

23 And Mr. Rapisardi talked about 24 hours. Actually,
24 it is until the end of the day tomorrow that I believe it is
25 very likely that you're going to have the legislation we all

1 need approved by both the House and the Senate. It's also
2 very likely that I will be signing it.

3 And as I see this, and as I've been saying it in
4 meetings with the Board, as well as publicly, the crucial
5 component of this legislation is that it enables the issuance
6 of the restructured bonds in accordance with the proposed
7 Plan. Let's not lose sight of that.

8 We acknowledge and thank the Board for finally saying
9 that there's not going to be any pension cuts, but let's not
10 cross the bridge until we get to it. Once this legislation is
11 in place, as Mr. Rapisardi well said, there is still the
12 outstanding issue of whether the Court can impose the proposed
13 reform of the Teachers Pension Plan and the Judges Pension
14 Plan of Puerto Rico without legislation.

15 If it turns out that that can be done, we are a
16 society of law and order, but if it turns out that we need
17 legislation for that purpose, I envision that definitely there
18 will have to be either a formal or informal mediation process
19 to accomplish that goal. But we don't need to cross that
20 bridge yet.

21 That's why I joined in Mr. Rapisardi's request for
22 you to just give a bit more time to our legislative assembly
23 before adjourning the case, the confirmation hearing. It's
24 been too long. And I agree, nobody should be drawing lines in
25 the sand, but, rather, we should all be coalescing within

1 reason.

2 Thank you so much, Your Honor.

3 THE COURT: Thank you so much, Governor Pierluisi.

4 I will now turn to the President of the Senate and
5 his representatives. Who will be speaking for the Honorable
6 Jose Luis Dalmau Santiago? Remember, you need to unmute
7 yourself on the dashboard and your phone.

8 Mr. Quinones, are you there? You need to unmute your
9 phone and your dashboard. Thank you. Mr. Quinones?

10 MR. VEGA RAMOS: Hello. Your Honor? Your Honor, do
11 you hear me now?

12 THE COURT: Yes, I do.

13 MR. VEGA RAMOS: My name is Luis Vega Ramos. I'm an
14 attorney represent -- part of the representative legal team of
15 the Senate president. I'm here with Mr. Edwin Quinones,
16 Victor Candelario and Joseph Feldstein. We're also part of
17 the legal team on behalf of Quinones Arbona & Candelario. And
18 the Senate President is here.

19 So I will be presenting the statements that you asked
20 for, and of course my colleagues will interject if need be.

21 THE COURT: Thank you. Would you, just before you
22 begin, spell your name? Because I don't think I have it on my
23 list, and I want to make sure that the transcript is correct.

24 MR. VEGA RAMOS: My last name is Vega, V-e-g-a.

25 THE COURT: Yes, and your first name is?

1 MR. VEGA RAMOS: Luis, L-u-i-s.

2 THE COURT: And you are of the Quinones Arbona &
3 Candelario firm?

4 MR. VEGA RAMOS: I am an independent attorney, but we
5 are working jointly on behalf of the Senate President in this
6 case.

7 THE COURT: Thank you. You may proceed.

8 MR. VEGA RAMOS: Thank you, Your Honor.

9 First of all, thank you for the opportunity to
10 address the Court, and for the important words that you began
11 the hearing with in terms of framing the relevance of what
12 we're trying to accomplish here, which we understand.

13 I want to be as respectful and economical with the
14 Court's time as possible. However, there are some relevant
15 facts that we want to go over with -- go over, particularly
16 with the recent developments in terms of negotiations and
17 conversations within the leadership of the legislative bodies
18 and the executive branch regarding the legislation that we're
19 talking about.

20 But, first of all, I would like to point out the
21 informative motion that we presented yesterday, which
22 particularly presents a series of relevant facts that need to
23 be understood and considered as we move forward to produce a
24 solution that permits the political branches of Puerto Rico to
25 go through the process of enacting -- the constitutional

1 process of enacting legislation and present it to the Governor
2 of Puerto Rico so that he can consider that legislation.

3 As we presented in our motion, the Senate President,
4 Jose Luis Dalmau, who is also present in this meeting, in this
5 hearing, has been active with other key governmental players
6 for several months in trying to come up with the legislation
7 that can be passed. And the exhibit that we presented with
8 our motion shows that he has been dealing in good faith in
9 trying to procure the best interests of this process and of
10 the people of Puerto Rico, including the particular classes
11 that are concerned, particularly retirees and the pensioners.

12 As part of that process, Senator Dalmau presented a
13 couple of letters to the Fiscal Board presenting his important
14 ten point agenda, and further on asking several procedural
15 questions of the Board before enacting legislation. Remember,
16 both the House and the Senate are political bodies. Even if
17 the president of the Senate is a leader of the institution,
18 each member of the Senate and also of the House has its
19 individual right to vote his or her conscience. And each vote
20 is exactly presented by that member of each of the Houses of
21 Parliament, in this case, the Senate.

22 So what the Senate president has done has been to
23 procure a process which permits a version of the legislation
24 to obtain the majority needed to be passed. And remember that
25 in the House of Representatives, there is an absolute majority

1 for one of the political parties, but in the Senate, the
2 situation is rather different, because even if the parties
3 agree that represents -- the Senate President is the majority
4 party in the Senate, the reality is that there's no absolute
5 majority. No party, no single delegation has the 14 votes
6 needed to enact legislation on the Senate side.

7 So as the Governor and the Governor's representative
8 was saying, in order to pass legislation, in the Senate
9 particularly, more often than usual -- actually, all the time
10 coalitions are needed to reach the 14 votes necessary to pass
11 that legislation. In that process it was that the Senate
12 president insisted on having a clear position from the Board
13 with regard of his ten point agenda and with regard to some
14 procedural questions that were put forth.

15 The answer that we received from the Board, quite
16 frankly, in our opinion, wasn't enough, wasn't enough
17 information. Basically, we were offered an explanation that
18 we have all the necessary information to enact legislation.

19 So the Senate proceeded, on October 6, to approve
20 legislation, and we did by a majority of 19 votes. And I want
21 to stress that, because 19 votes is more than two-thirds of
22 the membership of the Senate, so there is a political will.
23 And I'm talking political in terms of policy-making will, of a
24 majority of senators to try to reach out and -- to try to
25 reach an end to this process and to enact legislation. And

1 that was proven October 6 when more than two-thirds of the
2 senators of the Senate of Puerto Rico voted to approve that
3 version of House Bill 1003. That version would have the votes
4 again.

5 The version that clearly doesn't have the votes is
6 the conference committee version that is -- that was approved
7 by the House of Representatives, but the Senate president,
8 exercising his leadership faculties, has consulted with
9 diverse delegations and the independent senator on whether or
10 not that conference report can be approved. And the fact of
11 the matter, as we said yesterday in our informative motion, is
12 that the votes are not there, Your Honor. There will not be
13 14 votes for the conference report.

14 And as a matter -- as a matter of honesty, that's
15 what the Senate president told the people of Puerto Rico and
16 stated publicly after his consultations. He is clear and he
17 thought correctly that everybody should know that, in the
18 foreseeable future, it's not likely that that version, the
19 committee report, the conference committee report version of
20 the Bill will get the 14 votes needed in the Senate of Puerto
21 Rico.

22 Having said that, we have been in continuous
23 negotiations. The Senate president has been actively
24 conversing with the leadership of the Senate from the other
25 parties, has been speaking with prominent House members and

1 leadership, with the executive branch. And after we filed our
2 motion, our informative motion yesterday, I mean, and in
3 supporting many other things that have been stated by the
4 executive branch representatives in this hearing, some
5 language has been agreed that would permit, in our opinion,
6 prompt passage of the Bill once those amendments are
7 introduced, because that language has been agreed upon by
8 leaders of both political parties who could make sure that we
9 get a majority both in the House and the Senate and the
10 executive branch.

11 So in that sense, what we would ask the Court to do
12 is to let the political process continue. We seem to be very
13 close to getting legislation enacted in both houses. The
14 Governor has already stated that he would be inclined to sign
15 that legislation.

16 So we do agree with the proposition that the
17 political process in Puerto Rico be respected; that you let
18 the Senate and the House finish their process, and see if we
19 can agree on a particular -- sorry, a particular language so
20 that the 14 votes needed, 14 plus votes needed in the Senate,
21 and the 26 votes plus needed in the House are there, and we
22 can present the Bill to the Governor of Puerto Rico for his
23 potential signature.

24 We believe the process is very advanced. As I said,
25 there has been a lot of goodwill or total goodwill on the part

1 of the Senate president. He has just been exercising the
2 realities of political leadership. We have seen a legislative
3 body that is very divided and that needs coalitions to enact
4 legislation, and that's exactly what has been done in the last
5 couple of weeks.

6 So we want to reiterate that we are ready to continue
7 participating in the process, and that we feel very confident
8 that, with the language that was agreed upon by the executive
9 branch, both delegations of the House of Representatives that
10 are needed to approve legislation, and both delegations of the
11 Senate of Puerto Rico that are needed to approve legislation,
12 we can move this process forward and enact a legislation in
13 the next couple of days.

14 THE COURT: And do you believe that that legislation
15 is consistent with the expressed views of the Oversight Board
16 as to what the Oversight Board would be prepared to propose?

17 MR. VEGA RAMOS: We believe that legislation is
18 substantially close to what the Board has been proposing. As
19 counsel for the Governor said, we should let the legislative
20 process finish, and the Board can always express its position
21 and have other alternatives. But we do believe that the Bill,
22 as it would end up with proposed amendments that have been, in
23 principal, informally agreed upon by the legislative and the
24 executive branch, are in line to permit that this process
25 moves forward.

1 THE COURT: Thank you.

2 Would the Senate president participate in
3 confidential work with the mediation team were the Court to
4 order that that take place in the near future?

5 HON. DALMAU SANTIAGO: Yes, Your Honor.

6 THE COURT: Yes?

7 HON. DALMAU SANTIAGO: Yes, Your Honor.

8 THE COURT: Thank you. Is that President Dalmau
9 himself?

10 HON. DALMAU SANTIAGO: Yes, Your Honor. Yes. Jose
11 Luis Dalmau, President of the Senate. I agree with what the
12 lawyer said to you, and agree to continue the process.

13 THE COURT: Thank you. Including confidential
14 mediation if the Court directs that?

15 HON. DALMAU SANTIAGO: Yes.

16 THE COURT: Thank you. Is there anything further
17 that you would like to say before I call on the Speaker of the
18 House?

19 MR. VEGA RAMOS: No, Your Honor, except thank you for
20 the opportunity to present our views.

21 THE COURT: Thank you, sir.

22 I now turn to the Honorable Speaker of the House,
23 Rafael Hernandez Montanez, and his representatives. Who will
24 be speaking for the Speaker of the House?

25 MR. MARTINEZ LUCIANO: Good morning, Your Honor.

1 This is Jorge Martinez Luciano on behalf of the Speaker. The
2 Speaker and co-counsel, Emil Rodriguez Escudero, are all on
3 the same line as I am.

4 THE COURT: Excuse me, sir.

5 MR. MARTINEZ LUCIANO: Yes.

6 THE COURT: Excuse me, sir. If you are all on the
7 same line, there is a problem of some interference. Your
8 voice is not coming through clearly. Is there a way for you
9 to speak into a receiver or something that might minimize
10 interference?

11 MR. MARTINEZ LUCIANO: Yes, Your Honor. I'm -- is it
12 better now?

13 THE COURT: Yes. Much better. Would you start with
14 your name again, please?

15 MR. MARTINEZ LUCIANO: Yes. My name is Jorge
16 Martinez Luciano. I am one of the attorneys for the Speaker
17 of the House. I am here with the Speaker and my co-counsel,
18 Emil Rodriguez Escudero.

19 After listening to what the other --

20 THE COURT: Sir, excuse me. Sir. Mr. Martinez, I'm
21 going to have to ask you to speak just a little bit slower,
22 because there still is -- this is better, but it's still
23 breaking up a little bit. So if you would just slow down just
24 a bit, I think that would be helpful.

25 MR. MARTINEZ LUCIANO: Sure, Your Honor. It's just

1 that from our end, I don't get that interference, but sure
2 thing. We will speak slower if that makes it better with the
3 interference that the Court is experiencing there.

4 What we wanted to restate is that as soon as the
5 October 14th letter was issued by the Oversight Board stating
6 what the Board's final offer on legislation they would consent
7 to would be, the Speaker immediately handed that letter and
8 discussed it with his delegation, as well with the minority
9 delegation, and moved swiftly with the legislation version of
10 House Bill 1003 which the Board has stated for the record that
11 they were amenable to its passing.

12 Of course we note that that Bill didn't have the
13 votes in the Senate. Confronted with that, even though the
14 House had acted swiftly, we moved this weekend to try and meet
15 with Senate leadership coming from both major parties, as well
16 as with representatives from the executive branch. And we
17 came up with the proposal that was filed as an attachment to
18 our informative motion of earlier this morning, which we can
19 pass within 24 hours. We're ready to pass that, and that
20 version of the bill has the votes. It should be passed in the
21 Senate as well. And the Governor has already stated for the
22 record that he's inclined to sign the Bill.

23 So the House's position is that indeed it has already
24 acted swiftly on the Board's proposal. It has acted swiftly
25 to try to seek consensus, and it's ready to go, ready to get

1 the Bill done as soon as possible, as soon as tomorrow.

2 THE COURT: Thank you. If this Bill were passed, and
3 if there still were not consensus with the Oversight Board, is
4 the Speaker willing to engage in confidential mediation?

5 MR. MARTINEZ LUCIANO: If the Bill is passed and the
6 Board still has objections, yes, the Speaker would be willing
7 to engage in mediation, as ordered by the Court, of course.

8 THE COURT: It does seem to me that the assent of the
9 Oversight Board, as the only party under PROMESA that can, in
10 fact, propose a Plan of Adjustment is a crucial factor here,
11 and I seem to be hearing that it is anticipated that the
12 legislation that has been devised is not fully responsive to
13 the concerns that have been laid out by the Oversight Board.

14 So while of course the Court respects the democratic
15 process and all of the work that has taken place by the
16 legislature and the executive branch, including through this
17 weekend, in terms of my scheduling and efforts to keep on
18 track a process for confirmation of this Plan, it sounds to me
19 as though you are not saying to me that, by the end of the day
20 tomorrow, you are necessarily confident that we can have a
21 schedule and a set of Plan and legislation that keeps us on
22 track.

23 Am I hearing you correctly? It sounds like it's --

24 MR. MARTINEZ LUCIANO: No. Actually, the contrary.
25 No, Your Honor. What we're saying is that we're ready to

1 move. And I can speak for the House. The House will pass
2 that tomorrow. I cannot speak for the Senate. Of course I
3 cannot speak for the Governor. But I can speak for the House,
4 and the House's commitment is that if allowed to proceed, the
5 Bill will be approved tomorrow.

6 THE COURT: All right. Thank you.

7 Does the Speaker also wish to be heard himself?

8 MR. MARTINEZ LUCIANO: Yes, Your Honor. The Speaker
9 would like to be heard.

10 THE COURT: Okay. Mr. Speaker.

11 HON. HERNANDEZ MONTANEZ: Thank you, Your Honor.
12 Speaker of the House of Representatives Rafael Hernandez
13 Montanez. I just wanted to establish our clear position,
14 crystal clear.

15 Every time the House of Representatives, as an
16 institution, has compromised, we always deliver, and we will
17 deliver tomorrow a deal that's going to pass in the Senate and
18 in the House. The way we see it, the amendments do not have
19 any fiscal impact. They just clarify the doubts of the
20 members of the Senate.

21 And what we did during the weekend, we went -- after
22 we heard about the reality about there is not enough votes for
23 any delegation, we agree and we clarify the language with the
24 members of the New Progressive Party. And then we went
25 directly to the President of the Senate and compromised with

1 | them the amendments. So they just -- the amendments just
2 | establish the notifications that just have the clear -- the
3 | clear position is there won't be any cuts to pensions. That
4 | is the issue.

5 | There is a lot of doubts in the process. We know
6 | that, with the language that we pass, that will fix the
7 | problem. I believe these amendments do not affect the Fiscal
8 | Plan, the Plan of Adjustment, and we'll finish this in at
9 | least 24 hours. So we will comply, we will grant our award
10 | like always, and we are ready to pass this legislation in both
11 | houses.

12 | THE COURT: Thank you very much, Speaker Hernandez
13 | Montanez.

14 | HON. HERNANDEZ MONTANEZ: Thank you, Judge.

15 | THE COURT: Thank you.

16 | Do representatives of any of the other parties in
17 | interest wish to speak briefly before I turn to the mediation
18 | team leader and then return to the Oversight Board?

19 | MR. KIRPALANI: Your Honor, Susheel Kirpalani. If I
20 | can be heard for the PSA creditors?

21 | THE COURT: Yes. Good morning, Mr. Kirpalani.

22 | MR. KIRPALANI: Good morning, Your Honor. Good
23 | morning to everyone. Judge, I'm going to be as brief as
24 | possible. And I've been asked to address the Court on behalf
25 | of the initial PSA creditors.

1 Your Honor knows a year ago we filed a motion asking
2 this Court to impose a deadline on the Board to either
3 negotiate a new deal with us that's consistent with the PSA or
4 to dismiss the Title III cases. We complied with Your Honor's
5 order.

6 We renegotiated the PSA consistent with the timetable
7 imposed, and our new Plan has been public since the spring of
8 this year. It created a huge momentum for numerous other
9 creditors. Meanwhile, the issues that continue to be
10 unresolved between the Board and Puerto Rico's elected
11 officials have been out there since May of 2017.

12 Judge, constitutional debtholders made their deal,
13 and we're prepared to live by it. But there is only one deal
14 with the Board, and it has always been contemplated that it
15 would include legislation based on the model of the only Title
16 III Plan approved by this Court previously.

17 The Oversight Board and the Commonwealth need to
18 solve their issues. None of them are new. And they need to
19 come together through compromise, as we have done. If they do
20 not, then there is no confirmable plan after all this time
21 over issues that have existed for years.

22 As Your Honor correctly noted at the outset of this
23 hearing, we would reserve the right to seek all available
24 relief under our bonds and applicable law, including the
25 alternatives outlined in our deadlines motion from last year.

1 With all due respect to the Board's concerns about paying
2 termination fees, I think this is a way to deflect attention
3 from the heart of what is before us all. This is not what we
4 have been focusing on at all. It is a tree and not the
5 forest, and we don't want to go down the road of
6 hypothetical scenario playing.

7 With respect to the Board's request for adjournment,
8 we do not support adjournment. There is still two weeks
9 before the hearing was scheduled to start. Deadlines exist
10 because they work. All Your Honor's deadlines should hold.
11 They have resulted in people working around the clock to get
12 to here.

13 We have heard Mr. Rapisardi's comments and found them
14 most constructive. I think he said, "we are at the one yard
15 line." The only ones that can carry us across are the Board
16 and the elected officials. The bondholders have not been part
17 of that discussion and have nothing to contribute to that
18 process.

19 Thank you, Your Honor.

20 THE COURT: Thank you, Mr. Kirpalani.

21 Anyone else, speak your name promptly.

22 MR. GORDON: Your Honor, Robert Gordon of Jenner &
23 Block on behalf of the Retiree Committee. May I speak?

24 THE COURT: Yes, Mr. Gordon.

25 MR. GORDON: Thank you so much, Your Honor. Thank

1 | you for this opportunity to address the Court. I will be very
2 | brief.

3 | Since reaching a Plan Support Agreement between the
4 | Retiree Committee and the Oversight Board in June of 2019, the
5 | Retiree Committee and its professionals have continued to work
6 | collaboratively and diligently with not only the Oversight
7 | Board, but also the Governor's office, AAFAF, and leaders of
8 | the legislature to provide ideas and analyses for perhaps
9 | amending and working within the structure of the Retiree
10 | Committee's Plan Support Agreement, in an effort to bridge the
11 | gap between the various parties and reach a consensual plan.

12 | And we are grateful for the receptivity of the
13 | legislative leaders to the input that we provided, which is
14 | reflected extensively in the original House Bill 1003. And we
15 | are also grateful for the efforts that ensued thereafter that
16 | have resulted in the version of House Bill 1003 that both the
17 | Board and the House have indicated they would support.

18 | I just want to, as the open issues -- just make one
19 | point clear for the record, if I may. The Retiree Committee's
20 | mandate was to negotiate with respect to accrued pension
21 | liabilities, and only accrued liabilities. And that is what
22 | we did. In contrast to accrued pension liabilities is the
23 | concept of a freeze, which deals with freezing prospective
24 | pension benefits. And this is, by definition, an issue that
25 | affects active employees only, not retirees, and for that

1 | reason, the Retiree Committee has never discussed or
2 | negotiated the issue of pension freezes with the Oversight
3 | Board or any other parties.

4 | So that current issue, Your Honor, I just wanted to
5 | make clear for the record, is not an issue that has been
6 | advanced by the Retiree Committee at all. We have nothing to
7 | do with that issue, and have no position on that issue. Our
8 | only position is that we believe that the Board and the
9 | legislature owe it to the retirees and other citizens of
10 | Puerto Rico to work through the outstanding issues and come to
11 | a solution that provides for a feasible plan that protects
12 | retirees. And we are happy to help all parties reach that
13 | solution in any way we can.

14 | Thank you, Your Honor.

15 | THE COURT: Thank you, Mr. Gordon.

16 | In the interest of time, I am now going to turn to
17 | Judge Houser and ask whether she wishes to make remarks.

18 | HON. BANKRUPTCY JUDGE HOUSER: I will only speak
19 | very briefly, Judge Swain. As you noted at the outset, and I
20 | think must be emphasized, we have spent thousands of hours as
21 | a mediation team working with the constituents to get Puerto
22 | Rico to a place where a Plan of Adjustment has been proposed
23 | that has significant support. As Mr. Bienenstock did -- I do
24 | not want to minimize the objections that have been filed, and
25 | ultimately you will have to consider those objections, the

1 evidence presented, and make legal rulings with respect to the
2 confirmability of the Plan.

3 Virtually every agreement that is embodied in this
4 Plan was heavily mediated. The parties perhaps, if they
5 could, would say that they were pushed mightily to see if we
6 couldn't be of assistance in getting the parties to the cusp
7 of what may be a confirmable Plan of Adjustment that has
8 significant benefit for the people of Puerto Rico.

9 As you've noted, there are significant debt
10 reductions, payment terms that are extended, with a not
11 insignificant portion of the debt that would be issued under
12 this Plan being done so on a contingent basis with respect to
13 the future performance of Puerto Rico. It would be a shame,
14 in my opinion, for us not to be able to bring this Plan to you
15 for confirmation on the schedule that the parties requested
16 and that you have moved mountains to provide for them.

17 So the mediation team stands ready, as it has for the
18 last four and a half years, to be of assistance to the parties
19 in trying to resolve any last issues that remain before us.
20 So we are willing to do what the Court directs us to do, and
21 we are looking forward to being of assistance, if we can be of
22 assistance.

23 THE COURT: First of all, I have to thank you, Judge
24 Houser, for all of the work of the mediation team, together
25 with all of the other parties over all of these years. It has

1 | been essential to getting us to this place of what
2 | Mr. Rapisardi has characterized as the one yard line. I
3 | clearly believe that it would be beyond a shame for us not to
4 | be able to go to a confirmation hearing on time where I will
5 | be able to consider the merits of the parties' arguments and
6 | evidence as to whether a significantly consensual Plan can be
7 | confirmed.

8 | The government and legislative parties who have
9 | spoken have indicated that they are prepared to continue to
10 | engage in discussions, including with the Oversight Board, and
11 | produce legislation tomorrow. It appears to me it is not at
12 | all unexpected that there will -- that won't be conclusive of
13 | the Oversight Board's concerns, and it is the Oversight Board
14 | that has to determine whether the Plan will go forward.

15 | And so in terms of a window for further work in the
16 | most informed posture, and in light of the undertakings of all
17 | those who have spoken today, including the political leaders,
18 | to work with you, I am inclined to keep the current schedule
19 | in place, with the possible exception of giving AAFAF until
20 | noon on the 28th of October, which is this Thursday, to file
21 | its objection or position paper, which would keep every other
22 | aspect of the schedule in place pending word in a filing from
23 | you, Judge Houser, on behalf of the mediation team on Tuesday,
24 | the 2nd of November, as to whether you believe that after good
25 | faith efforts, the confirmation hearing can move forward as

1 | scheduled.

2 | Is that an appropriate window, in your view, for the
3 | work that you may need to do here?

4 | HON. BANKRUPTCY JUDGE HOUSER: Under the
5 | circumstances, with confirmation scheduled to start on Monday,
6 | November 8th, at 9:30, we'll certainly make that work, Judge
7 | Swain.

8 | MR. BIENENSTOCK: Your Honor, may the Board be heard?

9 | THE COURT: In just a moment. I do want to front my
10 | thinking as to the next step after that.

11 | If Judge Houser were to indicate that the hearing
12 | cannot move forward as scheduled, then I would anticipate
13 | requiring an informative motion from the Board setting forth
14 | its position as to whether there can be a confirmation
15 | proceeding with respect to a confirmable version of the Plan,
16 | and what sorts of amendments, and whether resolicitation would
17 | be necessary, and other potential alternative methods.

18 | So I wanted to put that out front, and obviously that
19 | would include the possibility of whether we would have to give
20 | up and look at potential dismissal of the cases, which I
21 | certainly don't want to have to do, but I think at this point,
22 | four and a half years out, we need to have it on our radar
23 | screens.

24 | So, Mr. Bienenstock.

25 | MR. BIENENSTOCK: Thank you, Your Honor.

1 The comments from the Governor and the Senate confirm
2 the Board's worst fear, which is that they simply intend to
3 plow ahead with what they've been doing this weekend. As I
4 mentioned earlier, the Board has tried to keep track of it in
5 real time and get translations. It would be completely
6 unacceptable, if the Board's understanding is correct, and the
7 Board would not be able to advance the Plan, because it would
8 not be able to say that it believes it's feasible going
9 forward.

10 There's simply no change in what they're doing. The
11 Board made a simple -- a request for legislative authorization
12 of debt, and it's being used instead to tell the Board that
13 there are other changes to the Plan, et cetera, which, as Your
14 Honor said, only the Board can propose a plan. So we think
15 this is really wasted time.

16 Judge Houser and the mediation team have been
17 terrific. As I said earlier, the Board really doesn't have
18 anything to add to the consideration on the table, but if
19 Judge Houser can come up with wordsmithing, et cetera, that
20 might work, let's do it in the next 24, 36 hours. But, again,
21 I have to implore Your Honor to adjourn the deadlines for the
22 Board to file the declarations, et cetera, today, or else the
23 Board feels that there is such a tiny infinitesimal chance of
24 this Plan going forward that it would withdraw the Plan.

25 And also, Your Honor, the Executive Director of the

1 Board, Natalie Jaresko, has asked that she be allowed to add a
2 few words, a few comments to what I've said, if that's okay
3 with the Court.

4 THE COURT: Yes, of course.

5 Ms. Jaresko.

6 MS. JARESKO: Thank you, Your Honor. I cannot
7 underline enough for you how concerned the Board is at this
8 point. Every one of the members of the Board is on the
9 listening phase of this. And we would like to first reiterate
10 our respect for the democratic process in Puerto Rico, but
11 that said, two months of good faith efforts, with the Board
12 agreeing to all of the key requests of the elected leadership
13 of Puerto Rico, has not yielded adequate legislation. And
14 there is no reason to believe that the suggested next steps
15 will yield legislation adequate to the Board and legislation
16 adequate to effect the Plan before you.

17 The draft that's been proposed last night, this
18 morning, that we reviewed as quickly as possible, continues to
19 include at least two issues that make the legislation not
20 adequate. First, it is our understanding that there is a
21 poison pill of sorts in the proposed language. It makes "no
22 pension cuts" a condition precedent to the issuance of the
23 debt. So although we've agreed already to no modification of
24 the benefit, no cut in pensions, if the Court were to find
25 that it is not acceptable and order a reduction in pensions,

1 the debt would then not be issued.

2 Second, with regard to the elimination of language in
3 the draft legislation that was adopted by the House previously
4 that provided clarity with regard to freeze and COLA
5 elimination, that clarification is very important. We expect,
6 as public statements appear to confirm, that if the freeze or
7 the elimination of the COLA that we had sought under the Plan
8 is granted by the Court, an argument would be made that the
9 debt could not be issued because this is, quote, a potential
10 pension cut. And based upon language that has been included,
11 that lack of clarity is something we would like to avoid. It
12 would become a timely and costly litigation on the issue.

13 And in that light, Judge, we ask you again to allow
14 for an adjournment for at least 72 hours to allow for any
15 possibility of submission of a plan given the circumstances,
16 in this type of short adjournment, which would not minimize --
17 which would minimize disruption to your calendar. And the
18 Board does not take this lightly, but if an adjournment is not
19 possible for at least a short period of time, the Board is
20 prepared to withdraw the Plan.

21 Thank you, Your Honor.

22 MR. FIRESTEIN: Your Honor.

23 THE COURT: Thank you.

24 MR. FIRESTEIN: May I be heard?

25 THE COURT: Who's that?

1 MR. FIRESTEIN: Your Honor, it's Michael Firestein of
2 Proskauer. If I could have 30 seconds to just indicate a
3 practical issue?

4 THE COURT: Yes. Yes.

5 MR. FIRESTEIN: Thank you, Your Honor.

6 Just in response to what Ms. Jaresko and
7 Mr. Bienenstock and the rest of the folks have indicated, the
8 only thing that I would add to that is the reason why that
9 adjournment is important is because currently the declarations
10 are premised upon a plan that might change or might not be
11 feasible. And if within 72 hours there is some progress
12 towards that end, in the off-chance that it occurs, it would
13 be declarations submitted in connection with a plan that is
14 either going to be changed or isn't going to be feasible.

15 So it doesn't disrupt the calendar, although I
16 respect the Court entirely with respect to its desire to have
17 the materials two weeks in advance, but even if we moved this
18 a few days -- we've heard comments from the House and the
19 Senate, and I respect that process as well, that they are
20 going to do things, whatever they're going to do, quickly.
21 And if they do it, fine. If they don't do it, then there have
22 been a lot of discussions relative to that.

23 But I'm just looking at a practical issue with
24 respect to submitting evidence in connection with something
25 that is either going to change or isn't going to happen, and

1 | so -- just based on the comments that I heard. So in that
2 | regard, I would urge the Court to consider that as an option
3 | in connection with this, which does not disrupt, at least in
4 | any material way, at least in my humble opinion, the calendar
5 | that the Court is currently considering. Thank you.

6 | MR. RAPISARDI: Your Honor, may I be heard? It's
7 | John Rapisardi.

8 | THE COURT: Yes, Mr. Rapisardi.

9 | MR. RAPISARDI: Your Honor, what I'm hearing from the
10 | Board, and from Mr. Bienenstock, is that they are telling the
11 | Court and they're telling the Government of Puerto Rico that
12 | we, under no circumstance, can move ahead with the Plan of
13 | Adjustment if there's any risk that this Court might find that
14 | this Plan is not feasible.

15 | Your Honor, I would like to point out that the
16 | Teachers Union has filed an objection to the methodology by
17 | which the Oversight Board is seeking to eliminate the defined
18 | benefit provisions under Puerto Rico Law. That is a complex
19 | issue, Your Honor. It is not a slam dunk. And there is a
20 | risk, Your Honor, that you may well find in favor of the
21 | Union, and in that case, what happens? The Plan falls apart,
22 | because the Board has told us that the Plan is not feasible
23 | without pension freezes being eliminated.

24 | And, Your Honor, we're not suggesting that, in light
25 | of that risk, that we not proceed. We're saying, look,

1 | there's a risk.

2 | With respect to the legislation, and Ms. Jaresko's
3 | comments concerning the wording of the legislation, Your
4 | Honor, we just heard about -- you know, colloquy of about
5 | seven to eight minutes by the legislative leader talking about
6 | the legislative process, which I euphemistically call sausage
7 | making. And my concern, Your Honor, is that if we try to
8 | delve into reopening whatever's passed by the legislature,
9 | which I'm confident on its face will say there will be no
10 | pension cuts, and this deal -- which we've always said is
11 | conditioned on there being no pension cuts, that's it.

12 | If other parties want to argue that -- well, what
13 | does pension cuts include? Does that include pension freezes?
14 | Well, Your Honor, that can be taken care of for findings of
15 | fact. And we're prepared to sit down with Proskauer. Rather
16 | than having a mediation to try to reopen the legislation,
17 | which carries potential of weeks of delay, I think the more
18 | practical solution is to take a look at the legislation, sit
19 | down with Proskauer, sit down with Judge Houser, work out
20 | proposed findings of fact that gets everyone comfortable that
21 | there cannot be any end run around the legislation as
22 | ultimately passed.

23 | Thank you, Your Honor.

24 | MR. BIENENSTOCK: Your Honor, this is Martin
25 | Bienenstock. That was not the Board's position, that it

1 wouldn't go forward if there's any risk of a finding of
2 unfeasibility, et cetera. It's not. And we don't think
3 Mr. Rapisardi's solution of findings of fact in a Federal
4 Court as to the meaning of territorial law solves any problem.

5 MR. RAPISARDI: Well, Your Honor, with all due
6 respect, Your Honor, based upon what we went through in
7 COFINA, Your Honor is not going to sign an order confirming a
8 plan based upon legislation which you feel ultimately could be
9 undermined, and that's what I'm trying to get at. That if we
10 have statements on the record, an agreement tying everyone's
11 hands, rather than reopening the legislative process, coming
12 to agreement as to what this legislation means, and there's
13 findings of fact and conclusions of law, then I think that
14 gets the Board where they want to be.

15 THE COURT: Well, it seems to me that keeping the
16 current schedule is going to, at a minimum, concretize and
17 make plain for everyone what the Board considers necessary in
18 detail for confirmation of this Plan, and I am going to -- so
19 I'm not going to change the deadlines. The government will
20 have to decide the degree to which it makes reservations
21 concerning the Plan in anticipation of the outcome of the
22 legislative efforts.

23 I am going to establish the schedule that I had
24 discussed with Judge Houser, in terms of a report by Judge
25 Houser by November 2nd as to whether the confirmation can go

1 forward within the timetable that has been set. I am
2 directing the Board not to short-circuit that process by
3 withdrawing the Plan before Judge Houser has made her report.

4 So the request for adjournment of the deadlines is
5 denied. The parties are directed to engage with the mediation
6 process as directed by Judge Houser, in the confidential
7 mediation process, in an effort to keep a potentially
8 confirmable plan on the table for confirmation hearings
9 beginning in the period that begins November 8th.

10 By November 2nd at 5:00, Judge Houser is to file a
11 report certifying whether she believes that the confirmation
12 hearing can go forward as scheduled. If she indicates that
13 she does not believe that the hearing can go forward as
14 scheduled, the Oversight Board must file an informative motion
15 no later than November 4th at 2:00 in the afternoon setting
16 forth the Oversight Board's position as to whether the
17 proposed Plan can be confirmed in the absence of legislation
18 as contemplated by the proposed Plan.

19 A detailed description of and timetable for
20 proceedings with respect to a version of the Plan that the
21 Board would consider potentially confirmable, including
22 whether and to what extent amendments and resolicitation would
23 be required, and whether such proceedings can be concluded
24 before the relevant PSA deadlines, that's the first subject of
25 the report. The second is what other alternative measures, if

1 any, the Board proposes to take to present for confirmation a
2 plan of adjustment without the contemplated legislation,
3 including relevant timetables, if the Board is unable to
4 describe at that point in detail timely steps that can
5 reasonably be expected to facilitate a confirmation hearing in
6 the near future, whether the Board would be moving to dismiss
7 the Title III proceedings for the entities that are the
8 subject of this Plan, and the Title VI proceedings for PRIFA
9 and CCDA.

10 The Court would reserve the right to issue an order
11 to show cause as to why such dismissal should not be
12 considered, and no deadlines pertaining to the confirmation
13 hearing will be amended until further order of the Court.

14 MR. BIENENSTOCK: Your Honor, this is Martin
15 Bienenstock. May I ask, can the Board file its declarations
16 under seal, and they can be unsealed at the confirmation -- if
17 the confirmation hearing goes forward?

18 THE COURT: Now, if that is done, then the opposing
19 parties would not be in a position to evaluate whether and to
20 what extent the Board's witnesses would be requested for
21 cross-examination, correct?

22 MR. BIENENSTOCK: Right, but it would be the same as
23 if the trial were all in person, where the testimony were
24 given in person on direct. There they wouldn't know in
25 advance. They've all taken extensive depositions for days and

1 days and days of all of our witnesses, and so it shouldn't
2 really prejudice them at all. And it would be the same as if
3 it were a live trial and we didn't have declarations.

4 MR. GARCIA SOLA: Your Honor.

5 THE COURT: Who's that?

6 MR. GARCIA SOLA: (Indiscernible) on behalf of the
7 DRA parties. Can I be heard?

8 THE COURT: Yes. I just did not hear your name. I
9 didn't hear your name.

10 MR. GARCIA SOLA: Yes. Mr. Arturo Garcia on behalf
11 of the DRA parties. And I have just something very brief to
12 comment based on what I have heard, with authorization.

13 THE COURT: Yes, you may.

14 MR. GARCIA SOLA: Okay. Thank you again. For the
15 record, Arturo J. Garcia of McConnell Valdes on behalf of the
16 DRA parties, and particularly AmeriNat Community Services.

17 We have three concerns, main concerns about what's
18 been said, Your Honor, and especially in light of your ruling
19 that the Plan confirmation hearing will proceed as scheduled.
20 The first is, since we do not have the legislation, and likely
21 will not have it until sometime tomorrow afternoon, what
22 impact will the legislation that is finally approved have on
23 the Plan that is currently on schedule for confirmation?

24 We believe that until we know what the full impacts
25 of the legislation are with respect to the Plan scheduled for

1 confirmation, it is very difficult to prepare for a hearing
2 that's due to start less than ten days away, number one.

3 Number two, in light of the fact that, more likely
4 than not, as Mr. Bienenstock and Executive Director Jaresko
5 have said, the Plan will require changes in light of the
6 different positions in the legislation, what will be the
7 impact on the objections already on file, one of which is the
8 objection filed by the DRA parties for the confirmation of the
9 Plan.

10 We believe that if the legislation requires changes
11 on the Plan, we will have to review the Plan, the new Plan, to
12 determine whether our objections will have to be made or
13 changed or revised in any way, shape, or form before the Plan
14 confirmation begins.

15 Third, we believe that the parties who are in
16 opposition to the Plan, and to the Plan confirmation -- and
17 the DRA parties are but one, there are others -- will need
18 time to review what comes out of the legislative process and
19 any potential impacts on the Plan itself so that we can
20 prepare for the confirmation hearing.

21 Otherwise, Your Honor, we very respectfully submit
22 that there could be due process issues, because we would have
23 to prepare for a plan confirmation hearing when currently, at
24 this point in time, just again less than ten days away -- or a
25 little bit over ten days, sorry -- we don't know what the Plan

1 will say. And how can you prepare for a confirmation process
2 when there may be changes to the Plan that we have been
3 preparing our objections to, and our witness declarations, and
4 everything else, when at the end of the day, as
5 Mr. Bienenstock has said, there may be changes that are
6 required to the Plan.

7 We fully agree that the mediation process should
8 continue. By the way, a mediation process as to which we have
9 not been given the opportunity to fully participate in. So we
10 have a lot of concerns about what -- the impact of this, you
11 know, legislation that is, you know, really kind of up in the
12 air as we speak, and Mr. Bienenstock confirmed that from his
13 perspective. I haven't been privy to any of the
14 conversations, so I don't know what that's going to say other
15 than what I've read in the press.

16 But I just want to make clear for the record that we
17 have strong reservations about proceeding with a plan
18 confirmation process when we do not know what plan is going to
19 be confirmed and how to prepare, assuming that we will
20 continue to be on the objection side of the plan confirmation.

21 So that's it for now, Your Honor. Thank you for
22 allowing us an opportunity to be heard, but we think that
23 these are serious concerns.

24 THE COURT: Thank you, Mr. Garcia.

25 The declarations must be filed on the record subject

1 to specific requests for sealing in accordance with the
2 provisions of law that protect information that is recognized
3 as requiring higher protection, but the request to seal purely
4 on account of the uncertainty with respect to the process is
5 denied.

6 The remaining deadlines, as I say, will remain in
7 place pending further order of the Court and the filing of the
8 reports. There is to be no withdrawal of the Plan before the
9 mediation team has made its report and the Oversight Board has
10 made its response. That is the Court's ruling, which will be
11 followed up in a written order later today.

12 With that, I thank everyone for their engagement and
13 candor today, and for the hard work that will be necessary to
14 keep this process going, and to keep PROMESA a prospective
15 vehicle for restoration of the economic life and access to the
16 financial markets of Puerto Rico, for keeping Puerto Rico an
17 entity, a state, a community that can provide properly through
18 a vibrant economy and restructuring of debt as contemplated by
19 the statute, that will benefit its citizens, its retirees, and
20 be fair to all stakeholders and creditors.

21 So I am requiring good faith action by all concerned.
22 I believe that people are acting and have acted in good faith.
23 The confidential work with Judge Houser must also be in good
24 faith, and I will look forward to the further reports.

25 As always, I thank our staff for work that was done

1 to facilitate today's conference.

2 We are adjourned.

3 (At 11:00 AM, proceedings concluded.)

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1 U.S. DISTRICT COURT)

2 DISTRICT OF PUERTO RICO)

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4 I certify that this transcript consisting of 70 pages is
5 a true and accurate transcription to the best of my ability of
6 the proceedings in this case before the Honorable United
7 States District Court Judge Laura Taylor Swain, and the
8 Honorable United States Magistrate Judge Judith Gail Dein on
9 October 25, 2021.

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13 S/ Amy Walker

14 Amy Walker, CSR 3799

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